

**Historic Preservation and Community Development:  
Why Cities and Towns Should Look to the Past as a Key to Their Future**

**U. S. House Government Reform Committee  
Subcommittee on Federalism and the Census  
The Honorable Michael R. Turner, Chairman**

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September 20, 2006

**Introduction**

Historic preservation is a powerful tool which motivates private sector investment and uses our existing resources wisely. Historic preservation is about avoiding wasteful spending by deploying the full utility of our built environment. And historic preservation creates beautiful environments where people want to live, work and play. The preservation of our heritage informs us and our children about who we are and confirms our responsibilities to each other and to the greater community.

The role of historic preservation in community and economic development needs to be recognized, better understood, and more widely utilized. Historic preservation is a potent and positive force in strengthening local economies. And its underpinnings, economic incentives and wise land use policies, should be strengthened to empower local communities and organizations to improve themselves.

Despite more than \$3.1 billion in documented rehabilitation across this country during fiscal year 2005<sup>1</sup>, statewide and local preservation organizations, together with the National Trust for Historic Preservation, spend valuable time and money fending off threats to fundamental protections of landmarks, the ill effects of rampant urban sprawl, and the uneven effectiveness of the local and state laws that form the backbone of local preservation activity.

Since the federal Historic Preservation Income Tax Incentives Program began in 1976, over \$36 billion in privately funded historic preservation activity has been leveraged at a 5:1 ratio of private dollars to federal funds.<sup>2</sup> And the preservation of these buildings has a powerful benefit – a catalytic impact. In Cleveland’s residential neighborhoods, this is seen through increased property values. Studies across the country have consistently shown that recognition of a historic district through landmark designation positively

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<sup>1</sup> Federal Tax Incentives for Rehabilitating Historic Buildings, Annual Report for Fiscal Year 2005, National Park Service, U.S. Department of the Interior, Technical Preservation Services

<sup>2</sup> Federal Tax Incentives for Rehabilitating Historic Buildings, Annual Report for Fiscal Year 2005, National Park Service, U.S. Department of the Interior, Technical Preservation Services

affects the value of the district with significantly greater rates of appreciation. The worst-case scenario is that properties within a local historic district have rates of appreciation parallel to the overall market.<sup>3</sup>

Ultimately, however, economic development is about jobs, and dollar for dollar, historic preservation is one of the highest job-generating economic development tools available. In Ohio, for every \$1 million spent on rehabilitating an older building, 38.5 jobs are created. New construction, by comparison, creates two jobs less.<sup>4</sup>

As Executive Director of the Cleveland Restoration Society, I have been involved in the reinvestment of countless landmarks. Our organization is really a hybrid between preservation and community development. I also have the privilege of serving as the Chairman of the Statewide and Local Partners affiliation with the National Trust, an association of over 100 professional preservation organizations doing a wide range of work across the country.

### **Preservation Organizations Rise across the Country**

The Cleveland Restoration Society was founded in 1972, during the period of urban renewal in the United States. Across the country, citizens were rising up to counteract the negative effects of highways in particular, which quickly and radically altered the landscapes of American towns and cities. In Cleveland, a beloved downtown building with ties to the Underground Railroad was to be torn down. Without landmark designation protection on the local level, the building was sacrificed and that part of our history erased. The fury this created led to the creation of my organization and the enactment of our local historic preservation ordinance with a governing Cleveland Landmarks Commission.

You have heard this type of story before, as community after community followed a similar pattern of organizing to protect landmarks through the nonprofit and public sector venues. Today, there are thousands of organizations that form the on-the-ground network of nonprofit organizations working to make preservation happen in towns, cities and states across the country. These organizations typically advocate for endangered landmarks, work to improve local and state laws, and conduct educational programs.

Professional Association of Historic Preservation Organizations Nationwide: The strongest local and statewide preservation organizations have a formal affiliation with the National Trust through an association called the Statewide and Local Partners Program. This association has over 100 organizational members whose combined operating budgets are about \$55 million.<sup>5</sup> Big cities are represented by organizations such as the New York Landmarks Conservancy, Los Angeles Landmarks Conservancy, and Historic Denver. Midsized cities are represented by organizations such as the Preservation Action

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<sup>3</sup> “The Economics of Preservation: Taking a Leadership Role, Donovan Rypkema, Madison, Wisconsin, July 9, 2003

<sup>4</sup> “The Economics of Preservation” Donovan Rypkema, Akron, Ohio, May 2, 1996

<sup>5</sup> National Trust for Historic Preservation, Statewide and Local Partners program, 2006

Council of San Jose (CA) and the New Haven Preservation Trust (CT). Even rural areas are concerned about preservation, proven by the participation of groups such as the Cherokee County Historical Society in Georgia. In addition, 39 states are represented through organizations such as Historic Landmarks Foundation of Indiana, The Georgia Trust, Utah Heritage Foundation and Preservation Oklahoma.

These organizations do miraculous work in their communities through education, advocacy and stewardship of historic properties. Typically Statewide and Local Partners conduct an array of tours, workshops, awards programs and conferences that educate the general public about the value of historic preservation. Through organized advocacy, these organizations work to change local and state laws so that preservation has the legislative foundation it needs to attract private sector investment and to fend off ill-conceived development plans. In the area of historic property stewardship, the Statewide and Local Partners have often made lifelong commitments to treasured local landmarks by rescuing them from neglect, restoring them, and opening them up to the public.

Many of these organizations, like mine, have enlarged their scope of work to direct action in the real estate market. These are the more mature groups typically, with deeper capacity to positively effect the disposition of the landmarks. My colleague today, Myrick Howard, will describe his extraordinary work in purchasing and reselling buildings. In Cleveland, we loan funds to owners of historic homes. Last year, we booked 108 home improvement loans worth \$4.2 million dollars. And we provided free technical assistance to 486 individual homeowners worth over \$10 million. Our respective activities define the intersect between historic preservation and community development.

### **Historic Preservation and Community Development in Cleveland, Ohio**

Uncontrolled Urban Sprawl Damaging Cities and Suburbs: In Cleveland, because of uncontrolled urban sprawl, the population of the city has declined from 914,808 in 1950 to 478,403 in 2000.<sup>6</sup> While the city's population continues to fall, the larger statistical metropolitan planning area has remained flat at just under 2.9 million.<sup>7</sup> This means that our population has thinned out across the landscape, abandoning perfectly serviceable buildings and infrastructure and building new development on virgin land, either wilderness or farmland. This condition has created a weak real estate market environment which is extremely damaging to the economic viability of our downtown and traditional neighborhoods.

Preservation incentives and Community Development Block Grant (CDBG) Funds Are Critical Tools: The historic preservation incentives, specifically the investment tax credit for rehabilitation, historic preservation easements, the low income housing tax credit and CDBG funds have been "but for" tools to counteract this problem.

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<sup>6</sup> Northern Ohio Data & Information Service,  
[http://nodisnet1.csuohio.edu/nodis/historic/pop\\_place19002000.pdf](http://nodisnet1.csuohio.edu/nodis/historic/pop_place19002000.pdf)

<sup>7</sup> "Cleveland still losing people," The Plain Dealer, Robert L. Smith, August 15, 2006

For example, “but for” the preservation tools, since 1995, 98 commercial buildings would not have been rehabilitated with over \$541 million in private investment.<sup>8</sup> Over 600 smaller-scale storefront buildings sprinkled across Cleveland’s older neighborhoods have been rehabilitated with \$12 million in CDBG, leveraging \$30 million in private investment. And \$8.5 million in CDBG funds invested in housing has leveraged well in excess of \$50 million in private investment<sup>9</sup>. Often times, the very worst, blighted and vacant structures are dramatically transformed from ugly ducklings into swans through both preservation incentives and CDBG funds.

Cleveland Restoration Society’s Low Interest Loan Program: In order to affect positive change in Cleveland’s traditional neighborhoods and suburbs, we operate a linked-deposit loan program. We have three sources of linked deposit funds which are deployed to write down market rates for home improvement loans: 1) The City of Cleveland’s CDBG funds; 2) Cuyahoga County reserve funds; and 3) Ohio Housing Finance Agency’s bond proceeds. We started this activity with seed money from the National Trust for Historic Preservation. To date, we have booked 578 loans worth \$23 million. In 2002, we expanded our reach beyond the urban environment to the suburbs where many of the “big city” challenges now exist. Without the City of Cleveland’s CDBG funds, we would close our loan program completely. Over the last decade, the City of Cleveland also has provided over \$2 million to our operating budget in order to manage this program.

Preserving Homes and Communities: With urban sprawl out of control, millions of sturdy, well-built and even historically significant homes have been abandoned. In this country, we have torn down millions upon millions of homes over the last 30 years, conservatively estimated at over 6 million.<sup>10</sup> Despite a crisis in providing affordable housing for lower income Americans, we ignore these existing resources as though their full utility has been spent. In fact, many of the homes built in Cleveland during its explosive expansion at the turn of the last century remain standing despite neglect because of the quality of materials and construction at that time.

What a waste it is to ignore the economic value of the embodied energy these buildings represent. What a waste it is to load our planet’s landfills with the rich material of old growth hardwoods, hewn stone and brick. What an expense we incur to maintain infrastructure that no longer services the load for which it was intended. What an expense we incur to address the multiple levels of problems, economic and social, resulting from the out-migration from our traditional neighborhoods.

Despite the value of the tax credit for preservation of commercial historic buildings, there are no governmental incentives for people who would choose to live in traditional, older neighborhoods. In fact, the tide is against them in many ways. Real estate values are

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<sup>8</sup> Ohio Historic Preservation Office

<sup>9</sup> William Resseger, Executive Assistant to the Director of Community Development, City of Cleveland, September 13, 2006.

<sup>10</sup> Donovan Rypkema, *Economics, Sustainability, and Historic Preservation*, National Preservation Conference, Closing Plenary, Portland, OR, October 1, 2005

weakened or even radically diminished – not an attractive option for Americans who consider their home to be their most important financial investment. In addition, the interest deduction for lower-priced homes directs higher income individuals to stronger residential markets, often on the fringe of urban sprawl.

Places like Shaker Heights, the magnificent “garden” suburb of Cleveland, are fighting to maintain real estate values. Shaker Heights is a community of majestic homes, from modest revival style “starter” homes to regal in-town estates. Even with a nationally recognized public school system, Shaker Heights is battling the out-migration force, the negative results of uncontrolled urban sprawl. A well-run city, its government smartly works every angle possible to retain its homeowners, yet it is not an easy task. Using historic preservation as a tool is part of their arsenal in creating a competitive advantage against sprawl.

Preserving Monumental School Buildings: Schools are often the defining landmark in traditional neighborhoods. Elementary schools in particular were anchors to surrounding streets that allowed younger children to walk to school. In Ohio, as across the country, a re-ordering is underway when populations have dramatically declined, and when state funding policies favor new construction. These factors combine to create grave dangers to countless monumental school buildings which have many more years of service to be extracted.

In Ohio, we are grappling with a state policy that favors new construction of schools over rehabilitation of existing schools. The so-called “two-thirds” policy requires local school districts to demolish or de-accession an existing building if its rehabilitation would cost over two-thirds the cost of a new building. In other words, the Ohio School Facilities Commission requires local districts to spend 34% more than rehabilitation for construction of a new building. The monetary and environmental costs of demolition are not factored in at this decision point.

This is despite the fact that many school buildings remain perfectly serviceable for twenty-first century education, including technology requirements, and are constructed with quality materials often unaffordable in new construction budgets. It is possible to obtain a waiver of this uneconomic policy on a case-by-case basis. However, countless local communities in Ohio have demolished landmark schools replete with the highest architectural integrity and artwork in order to drawdown on the needed state reimbursement for school construction.

From a cost viewpoint, rehabilitation of sturdy, older schools is often the best economic alternative when compared to the cost of demolition and new construction which is often higher. In cities across America, older schools have been beautifully rehabilitated at \$25 - \$30 per square foot less than new construction, with more local jobs created<sup>11</sup>. In Chicago, where there is a first phase \$3 billion campaign to rebuild over 300 schools, the logic is simple – if it costs less to rehab a good old building than to demolish/rebuild, Chicago automatically selects the less expensive option.

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<sup>11</sup> [www.nationaltrust.org/issues/schools/studies.html](http://www.nationaltrust.org/issues/schools/studies.html)

In Cleveland, the school district's first preservation project involving a landmark school ended up costing on par with new construction: \$36 million. In the process, a monumental landmark with extraordinary architectural and artistic features was saved to now serve as a history lesson itself for the students, and less valuable building materials, such as brick, stone, and marble were sent to a landfill.

Preserving Sacred Landmarks: In another area of work we focus on the challenging problems that the stewards of sacred landmarks face. Cleveland was a gateway for many immigrant groups during the late nineteenth and early twentieth centuries. As a result, we are left with hundreds of churches and synagogues that once defined our urban neighborhoods. These buildings are typically constructed with quality materials and feature spectacular interiors with lavish decoration simply unaffordable in today's construction budgets. Yet the congregations that built and sustained these magnificent buildings have largely moved out, and those remaining struggle with the financial burdens of deferred maintenance and diminished resources.

By working with congregations, we help them define the work that needs to be done to preserve their building, often helping to stage the work over time to even out the expense and prioritize improvements. Our advice sometimes helps congregations save money, but often the congregation is shocked to understand the reality of the expense of even modest but effective stewardship of these jewels in our midst.

Again, the economic value of these buildings is enormous. America's sacred landmarks in cities like Cleveland rival the cathedrals of Europe. Their social value is just as important. Sacred landmark buildings house countless programs, such as food banks, daycares, and support groups, that provide desperately needed assistance for the real needs of the greater community. With no economic assistance available from governmental sources, we are just beginning to see the wave of deterioration and demolition of these extraordinary and irreplaceable buildings.

### **Empowering Historic Preservation to be Even More Effective in Rebuilding American Communities**

Preservation is truly popular with the American people. It has broad appeal – from sophisticated city dwellers, to suburb families, to small town folk and farmers. Preservation is as American as apple pie. By running with a winning strategy, we can unleash this power across the country. And by doing so, we would save money and conserve resources.

Here are a few steps that can be taken now:

- 1) Pass House Bill 3159 (English Bill), which allows for better coordination between the investment tax credit for historic commercial buildings and the low income housing tax credit.

- 2) Protect Community Development Block Grant funds, and strengthen the goals of the program to favor reinvestment in existing resources. Cities like Cleveland have experienced a reduction in this funding which is crippling to its redevelopment efforts.
- 3) Create a federal incentive for housing rehabilitation that would encourage Americans to stay put in traditional communities thereby turning the expensive cycle of out-migration.

I ask our elected leaders to recognize that we are wasting valuable natural and built environment resources by not addressing urban sprawl from the federal level. Furthermore, this wastefulness is creating untold costs to our states and communities in countless social and economic ways. Congress should create a high national standard of wise and sustainable use of our resources by which all federal investments – in particular roads and housing – would be tested. This single action would address a range of problems as it would reduce state and federal dollar outlays through wise use of the investments of previous generations.

Historic preservation is a powerful tool that uses our resources wisely. With the support of the federal government, local and state organizations that carry out the good work of historic preservation can be even more effective in their efforts to strengthen the American economy and elevate the quality of life for citizens across our country.

Thank you.